

M e m o r a n d u m

To: Panel Members

Date: June 22, 2007

From: Ruby Cohen, Manager

Analyst: F. Lukka

Subject: One-Step Agreement for **USS-POSCO INDUSTRIES**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports , Developed Jointly By Management And Workers
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 1,000
 - *In California:* 840
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: United Steelworkers of America, Locals 1440

CONTRACT:

- Program Costs: \$311,220
- Substantial Contribution: \$0
- Total ETP Funding: \$311,220
- Total In-kind Contribution: \$430,000
 - *Trainee Wages Paid During Training:* \$430,000
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Contra Costa

INTRODUCTION:

USS-POSCO Industries (UPI) is a steel finishing plant owned and operated by U.S. Steel and POSCO as an international joint venture (POSCO is headquartered in the Republic of Korea). The company manufactures cold rolled, galvanized, and tin mill products from hot rolled steel. UPI is headquartered in Pittsburg and employs approximately 840 workers in California.

UPI is eligible for ETP funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations (CCR), Section 4416(i) for manufacturers retraining current employees.

The Company is proposing a training program designed to enhance productivity levels by aligning work processes more efficiently. Company officials state that this will in turn increase UPI's ability to transition to a more effective high performance workplace, thereby improving their competitiveness in this industry.

MEETING ETP GOALS AND OBJECTIVES:

UPI proposes training will further the following ETP goals and objectives:

- 1) Foster retention of high-wage, high-skilled jobs;
- 2) Develop skills that prepare for high performance workplace; and
- 3) Support the growth of California's manufacturing industry.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Priority Industry Retrainee	MENU: Manufacturing Skills Business Skills Computer Skills Continuous Improvement Skills Management Skills	455	24 – 300	-0-	\$684	\$14.50 - \$50.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Operators Maintenance Staff Administrative/Clerical Managers						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the company pays health benefits for its employees, the hourly contribution will not be used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 10%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 17%
<u>Other Employee Benefits:</u> UPI provides the following benefits to its employees: medical, dental, and vision insurance, life insurance, retirement plan, 401(k) plan, vacations, holidays, and educational reimbursement.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

Three hundred and eighty participants, (83 percent) in this project meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee). Seventy-five Managers (17 percent) will also participate in this training. UPI states that the training of managers will allow the Company to implement Lean Manufacturing skills, improve communication, provide leadership and foster teamwork.

COMMENTS / ISSUES: (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Request for Additional Training Hours – Special Program***

UPI has created a special Operator-to-Technician program for 10 employees, as part of its overall effort to retrain its workforce in anticipation of increasing retirements among its pool of specialty-skill workers. This program will total 4,000 hours per trainee over a two-year period, consisting of both on-the-job and classroom training. UPI will provide 3,700 hours of this training at its own expense, and is asking ETP to supplement this effort by funding the remaining 300 hours. This would require a waiver by the Panel from the usual 200-hour cap on hours, for the classroom training component of this special program. The waiver would be limited to the 10 trainees undergoing Operator-to-Technician training. [Note: the waiver is reflected in the weighted average and trainee enrollment will be monitored to ensure the waiver only applies to these 10 trainees.]

RECOMMENDATION:

Staff recommends that the Panel approve this training proposal including a modification to allow up to 300 training hours for 10 operators to become certified maintenance personnel in the Operator-to-Technician Program. This training will enable UPI to provide its workforce critical skills training that will improve their knowledge and abilities and enable the company to remain viable.

NARRATIVE:

During the 1930's and 1940's United States Steel (USS) helped supply major public works projects – the most notable being the San Francisco/Oakland Bay Bridge. USS also helped supply the demand for steel products during World War II.

In 1986, USS sold 50 percent of the company to Pohang Iron and Steel of South Korea resulting in the creation of UPI. Currently UPI has over 750 California suppliers and has created 2,100 high paying jobs in California. Company officials state that one of the barriers to operating in California is the need for skilled workers due to the significant increase in the retiring workforce taking with them valuable skills, knowledge and experience.

UPI is proposing three training initiatives, as outlined below:

The first is for training on upgraded equipment for production. UPI is in the process of an \$8 million upgrade in equipment on the production floor for the efficient electrical drives, pumps, and controllers. Training will be provided to the department leads at the time of installation at the company's expense; however, UPI is requesting that ETP assist them in providing in-depth training for operators and maintenance personnel.

NARRATIVE: (continued)

Secondly, UPI proposes to adapt to a high performance workplace emphasizing Lean Manufacturing and improved employee communication. UPI representatives state that UPI is engaged in a rapidly changing global marketplace. To stay competitive, UPI must react quickly to meet their customers' needs and invest in new ways to assure outstanding product quality and customer satisfaction. Frontline workers will be provided business skills, continuous improvement, computer skills, and manufacturing skills in order to increase overall production; precise material utilization; reduce waste; and improve product consistency. UPI will provide Lean Manufacturing, continuous improvement processes, teambuilding skills, as well as technical training.

Third, to meet its need for qualified maintenance personnel to replace retired workers, UPI created an Operator-to-Maintenance training program. UPI will invest up to 4,000 hours per person to train 10 employees currently working as Operators, to become certified maintenance personnel.

The company is requesting the Panel's assistance to retrain 455 production, maintenance, technicians, clerical, and management staff in a menu of courses consisting of:

Manufacturing Skills training will enable the company to operate more efficiently and give employees the skills necessary to operate at maximum efficiency. The production process is being upgraded which will require the operators and maintenance team to learn new skills to adapt in the workplace. This needed training will give the company the ability to cut inefficiencies in our current production process, as well as give employees the skills to operate at a higher level of productivity. Types of training will include training in production equipment; new manufacturing equipment operations; process controls; standard operating procedures improvement; and Lean Manufacturing.

Business Skills training will improve communication skills to facilitate Lean Manufacturing, customer service, and communication skills for frontline employees, supervisors/managers to enable them to accomplish their jobs more efficiently in a high performance workplace. Training topics include project management; accounting/financial skills improvement; logistics skills improvement; presentation skills; and strategic planning.

Continuous Improvement training will include Lean Manufacturing, statistical process control, problem solving, team building, decision making, and statistical analysis skills to improve the production process based on their analyses. The frontline workforce and supervisors/managers will recognize inefficiencies in the production system and make decisions to solve production problems and reduce waste.

Management Skills training will provide UPI's supervisors and managers the skills necessary to guide the company's workforce through the multitude of changes facing the company and its workforce. The management team will be provided training in the areas of leadership essentials, managerial effectiveness/strategies, planning and goal setting, and mentoring/coaching. The goal for this training is for the management team to lead their departments to a new high performance, Lean Manufacturing workplace.

NARRATIVE: (continued)

Computer Skills training will provide enhanced computer skills to take advantage of the new manufacturing equipment and software platforms to support the move to a high performance workplace. This training will include Maximo and other internal company programs, computer aided design, advanced Microsoft Office applications and the UPI Order Tracking System. In addition, the company's frontline workforce and management staff will receive training topics such as Advanced Microsoft Office Skills; Advanced Lotus Notes Tesseract/Empagio (Human Resource Management System); CAD/CAM; and UPI Internal Systems.

Commitment to Training

Current and prior training includes new hire orientation, basic computer skills, basic procedures, safety, and on-the-job training. UPI's current training budget for 2007 is approximately \$1.9 million. When the ETP-funded training concludes, UPI will evaluate the results of the training and anticipates investing at the same budget level in 2009.

The majority of past training efforts have been on-the-job on an "as-needed" basis focusing on providing the basic skills needed for the position. During on-the-job training, one worker follows another through the process, and then does hands-on learning.

SUBCONTRACTORS: To be determined.

THIRD PARTY SERVICES: California Manufacturing Technology Association assisted with the development of the Application for a flat fee of \$7,500.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET01-0342	Pittsburg	06/30/01-06/29/03	\$142,790	\$117,020	\$528,000	\$483,600

UPI had an 81 percent completion rate. This project focused on equipment training in manufacturing skills. This new ETP-funded training is of a much larger scope and includes the two main initiatives described above.

USS-POSCO Industries
Menu Curriculum

Class Lab Hours

(24-300) Trainees will receive any of the following:

Manufacturing Skills

Production Techniques
Equipment operation
Machine Set Up
Machine Shut down
Maintenance Troubleshooting
SOP (Standard Operating Procedures)Improvement
Process Controls
Industrial Mechanical Skills

Continuous improvement

Lean Manufacturing
Problem Solving
Communication Skills
Interpersonal Skills
Decision Making
Statistical Process Control
Facilitation Skills
Team Building

Business Skills

Project Management
Accounting/Financial Skills Improvement
Logistics Skills Improvement
Presentation Skills
Strategic Planning
Statistical Skills Improvement
Business Literacy

Management Skills (Only Supervisors and Managers)

Positive Leadership
Coaching Techniques
Change Management
Conflict & Resolution
Coaching Techniques
Effective Management

USS-POSCO Industries
Menu Curriculum (continued)

Class Lab Hours

(24-300) Trainees will receive any of the following:

Computer Skills

Advanced MS Office Skills

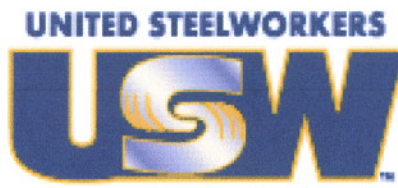
Advanced Lotus Notes Tesseract/Empagio (Human Resource
Management System)

CAD/CAM

UPI Internal Systems

Tony Tiscareno
President

Mark Valdez
Vice President



LOCAL 1440, AFL-CIO-CLC

Jack Lenhart
Recording Secretary

Linda Doppe
Financial Secretary

Buzz Enea Jr.
Treasurer

September 14, 2006

Ms. Ada Carrillo
Employment Training Panel
1100 J Street, 4th Floor
Sacramento, CA. 95814

Dear Ms. Carrillo:

I am writing on behalf of the United Steel Workers (USW) Local 1440 in Pittsburg CA. We fully support the proposal being submitted to the Employment Training Panel from USS-POSCO Industries.

This proposal has been jointly developed by labor and management to help meet the key shortages of manpower in our skilled craft areas as well as provide for skill enhancement of the general workforce.

Thank you for your consideration of this proposal

Sincerely,

A handwritten signature in purple ink, appearing to read "Tony Tiscareno", written over a horizontal line.

Tony Tiscareno
President L1440
USW Dist.12